

April 1, 2008

Ms. Gail Sussman
Group Managing Director-Public Finance
Moody's Investors Service
250 Greenwich Street
New York, NY 10007

Dear Ms. Sussman:

We at Rice Financial were pleased to hear of Moody's decision to assign global scale ratings (GSR) to tax-exempt municipal obligations and to implement a new analytical approach for mapping these ratings to the global scale that is used to rate all bonds outside of the U.S. public finance market. As you make these ground-breaking changes, **we also urge you to assign the GSR to municipal issuers without imposing an incremental fee.**

For many years, municipal issuers have been burdened by a rating standard that differs from the standard for corporations. By inflating the risk of investing in municipal bonds relative to alternative investments, **the traditional system has cost state and local government issuers billions in excess costs in the form of higher interest rates and inefficient pricing of credit enhancement.** It has also resulted in market inefficiencies that to a certain extent have contributed to the current turmoil affecting the sub-prime mortgage market and the municipal bond insurance companies.

Historically, the different standards applied by rating agencies to bonds issued by municipalities did not reflect their risk relative to corporate debt. Nonetheless, all three rating agencies have conducted default studies in recent years, and while each study has subtle differences, all of them came to the same conclusion: at every rating level municipal issuers default far less frequently than corporations.

In addition to the much lower default rates of municipalities, investors usually receive some—or even all—of their money back, unlike in many corporate defaults. This higher rate of “recovery” for municipal defaults is related to the essential nature of many public services provided by state and local government. Furthermore, municipalities have no provision of Chapter 9 of the Bankruptcy Code to liquidate and cease operations, while liquidation is not an uncommon course of action for a bankrupt corporation.

The historic dual rating standard not only resulted in many municipal issuers carrying ratings lower than their corporate counterparts, but also resulted in the inefficient pricing of some municipal issuers' debt and the cost of credit enhancement. However, this rating differential has no foundation in the

actual analysis of a municipal issuer's risk of default or recovery, which are primary elements of an investor's risk analysis and the pricing decision matrix. Moody's mapping exercise and analytical approach make huge strides toward creating a consistent rating process across varying credit markets.

We believe that the application of the global rating scale to tax-exempt municipal obligations is consistent with the increased globalization of the capital markets and will result in the increased efficient operations of these markets. In order to uphold the integrity and efficiency of an integrated, global capital market, all of the participants must operate within a universal standard that is shared and accepted by all. All market participants—issuers, investors, underwriters, traders and credit enhancement providers—will be better served.

The recent turmoil in debt and credit markets highlights the reality of the integration of global capital markets. Accordingly, the lines separating the U.S. municipal market from other global markets have become increasingly indistinguishable as a growing number of crossover buyers, hedge funds and international investors have begun actively participating in the market for municipal bonds.

By implementing the GSR for tax-exempt issuers, municipalities will encounter reduced expenses both in terms of interest rates and the cost of credit enhancement. Investors will no longer have to struggle with developing differential perceptions of credit quality between municipal and corporate issues due to separate rating systems. At the same time, continued use of the municipal scale with its fine gradations of risk should be sufficient to meet the needs of traditional municipal investors and certain smaller, less frequent issuers.

The traditional system of municipal rating imposed excess cost on municipal issuers and creates inefficiency in the financial markets. Recent events in the debt and credit markets have highlighted this problem. Many collateralized debt obligations (CDOs) and structured investment vehicles (SIVs) focused on sub-prime mortgage investments have been downgraded, become insolvent or face the risk of insolvency. This, in turn, has resulted in the downgrade of some of the bond insurers who guaranteed these securities as well as the debt of municipalities. The downgrading of municipal bond insurers created turmoil in the tax-exempt variable rate and auction rate securities markets. The end result has been substantially increased borrowing cost for many municipalities, even though their own fundamental credit quality has not changed.

If a global rating standard had been in place for municipal debt, for many such issuers the link between bond insurers and their own borrowing requirements would have never existed. For certain, some municipal and conduit borrowers that warrant lower ratings would still require credit enhancement to improve their market access and the pricing of their debt. **However, for many of the larger, more creditworthy municipal issuers, a global standard provides cost-effective market access without the intermediation of a financial guarantor.**



Rice Financial supports Moody's move to assign global ratings to tax-exempt obligations. We will encourage the other rating agencies to work with market participants as well to develop a global rating approach that does away with the discrimination against municipal issuers and improves the efficient functioning of the overall capital markets.

Sincerely,

A handwritten signature in blue ink, reading "J. Donald Rice, Jr." in a cursive script.

J. Donald Rice, Jr
President and CEO

April 8, 2008

Ms. Gail Sussman
Group Managing Director-Public Finance
Moody's Investors Service
250 Greenwich Street
New York, NY 10007

Re: Clarification to Comments on Global Scale Ratings for Tax-Exempt Municipal Obligations

Dear Ms. Sussman:

On April 1, I wrote to you regarding Rice Financial Products Company's comments on the assignment of global scale ratings. I wish to clarify our position on the continued use of the municipal scale during what we hope is an interim transition to full utilization of the GSR for all municipals.

We believe that the timing for implementation of global scale ratings for the tax-exempt market should be carefully managed so as to enable an orderly transition. The municipal market is, of course, characterized by vastly more distinct variations in credit quality and deal structures than the issues to which GSRs have been more typically applied. Less sophisticated tax-exempt investors will take time to adapt to the GSR and to gain an understanding of how it compares to the existing system of ratings.

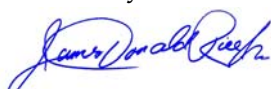
In addition, there is a host of bond documents and ISDA documents which contemplate events based on the current ratings system and scale. Market participants will need time to work through the impact of the GSR on all of these documents.

It is clear that the current ratings system has costs municipal issuers billions of dollars in additional interest and bond insurance premiums.

As a marketer of municipal bonds in the primary and secondary markets, we believe that a single, global rating scale for all securities is both fair and inevitable. We note, though, that a dual ratings system may be helpful for an interim period in order to support a more orderly transition.

We hope that this clarifies our comments. We look forward to Moody's full implementation of GSRs for all municipal issues at no additional cost.

Sincerely,



J. Donald Rice, Jr.